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China: Recent Trends In Agricultural Trade

An Intelligence Assessment

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July 1978

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China: Recent Trends in Agricultural Trade

*Central Intelligence Agency
National Foreign Assessment Center*

July 1978

Key Judgments

China's agricultural trade surplus amounted to slightly more than \$1.4 billion in 1977. Although total imports rose faster than exports and the trade surplus was reduced somewhat from 1976, 1977 was the third consecutive year in which the agricultural surplus exceeded \$1.4 billion.

After two years of cutbacks, China's agricultural imports increased by 65 percent in 1977 and approached the peak levels of 1973-74. The value of the 6.9 million tons of grain imported accounted for almost half of the \$1.5 billion spent on agricultural imports.

The total value of agricultural exports in 1977 climbed by about 9 percent, to \$2.9 billion. The improvement appears to be attributable primarily to rising sales of animals and animal products; the volume of exports of rice and soybeans continued the decline of recent years. This change in the composition of agricultural exports reflects the leveling off of grain production during the mid-1970s.

The agricultural trade surplus probably will show little change in 1978. Total agricultural imports are expected to increase slightly. Grain purchases have already reached 7.1 million tons, surpassing the 6.9-million-ton total reached in 1977. Agricultural exports will probably increase enough to maintain the agricultural trade surplus.

If the Chinese can increase agricultural production at the 4- to 5-percent rate called for in the current 10-year plan (1976-85), they may be able to reduce agricultural imports, but it is unlikely that exports will greatly expand. And as total Chinese trade continues to grow, agricultural exports probably will decline as a proportion of total exports.

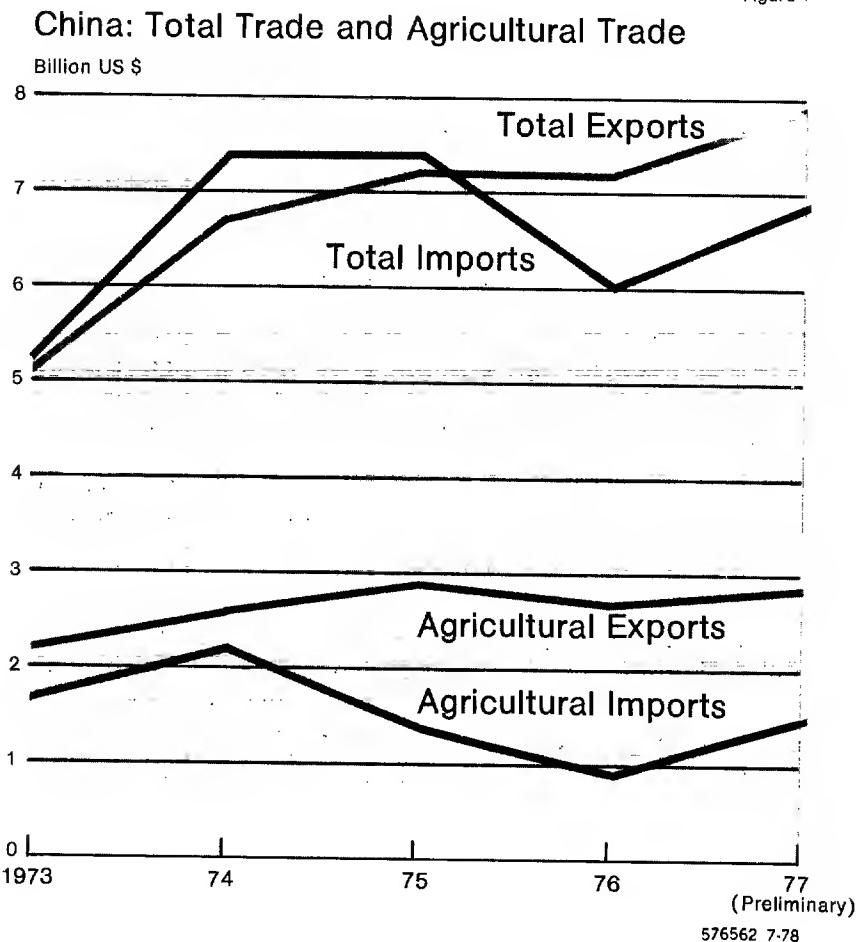
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Figure 1



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China: Recent Trends in Agricultural Trade

During 1977, China's agricultural imports jumped by 65 percent over 1976. With a value of \$1.5 billion in 1977,¹ agricultural imports accounted for about 22 percent of China's total imports, an increase of almost 50 percent over the 1976 share.

Agricultural exports increased by 9 percent, to \$2.9 billion in 1977, remaining stable as a share of total exports. During the preceding few years the agricultural share of total exports declined slightly, as the value of exports from manufacturing and extractive sectors increased and world prices for agricultural products declined. The volume of soybean and rice exports has

¹ Statistics for 1977 are based on Chinese claims, official trade statistics, and tonnages of imported commodities.

Table 1

China: Commodity Composition of Agricultural Trade and Agricultural Trade Balance

	1973	1974	1975	1976	1977 ¹	Million US \$
					Imports	
Total	5,225	7,420	7,395	6,005	6,900	
Agricultural	1,700	2,235	1,360	910	1,500	
Of which:						
Grain	840	1,180	675	325	675	
Sugar	135	175	180	200	298	
Oilseeds	65	160	15	5	100	
Natural textile fibers	450	520	260	190	220	
					Exports	
Total	5,075	6,660	7,180	7,250	7,900	
Agricultural	2,175	2,585	2,855	2,670	2,920	
Of which:						
Live animals.....	135	195	215	230	235	
Meat and fish.....	335	335	415	430	NA	
Grain	445	715	720	450	400	
Fruit and vegetables	245	315	360	385	NA	
Tea and spices	NA	100	100	140	NA	
Oilseeds	110	135	140	85	NA	
Natural textile fibers	330	190	250	285	NA	
Crude animal materials	170	185	230	260	NA	
					Trade Balance	
Total	-150	-760	-215	1,245	1,000	
Agricultural	475	350	1,495	1,760	1,420	

¹ Statistics for 1977 are based on Chinese claims, official trade statistics, and tonnages of imported commodities.

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declined recently and value undoubtedly has fallen as well. But the value of exports of other agricultural commodities has risen more than enough to compensate.

The large jump in agricultural imports and the decline in exports of rice and soybeans are a reflection of recent Chinese difficulties in increasing food production fast enough to keep up with population growth. Internal evidence of this problem includes a reduction of the sugar ration in Kwangtung and Tientsin during the spring and summer of 1976 and statements by Ceroilfood officials that vegetable oil rations could not be reduced below their current very low monthly levels of 110 to 170 grams per person.

The agricultural trade balance has consistently been in favor of exports. This is in part because China is a predominantly agricultural nation and in part because the leadership has given low priority to developing other export industries. Also China's major agricultural imports, except for raw sugar, are primarily unprocessed. On the other hand, a number of China's exports (meat and fish, tea and spices, and crude animal materials) are processed. This added value has helped to maintain the favorable agricultural trade balance, which has been over \$1.4 billion in each of the past three years.

Imports

After cutting back imports for two years, the Chinese increased agricultural imports sharply in 1977. Agricultural imports were held down in 1975 and 1976 because of balance-of-payments difficulties, not because domestic food production had increased. The Chinese probably made a decision to draw down stock levels rather than use foreign exchange to purchase grain during 1975 and 1976. The improved availability of foreign exchange and the need to rebuild stocks were important factors in the resurgence of agricultural imports in 1977.

Table 2

China: Agricultural Trade, Selected Products

	1973	1974	1975	1976	1977 ¹	Thousand Metric Tons
Exports						
Rice	2,142	1,983	1,440	1,000	700	
Soybeans	310	340	333	200	125	
Imports						
Wheat	5,981	5,345	3,339	1,921	6,910	
Corn	1,626	1,444	95	
Sugar	785	413	311	613	1,623	
Soybeans	251	619	32	25	362	
Cotton	410	380	164	130	150	

¹ Statistics for 1977 are based on official trade statistics and estimated tonnages of exported and imported commodities.

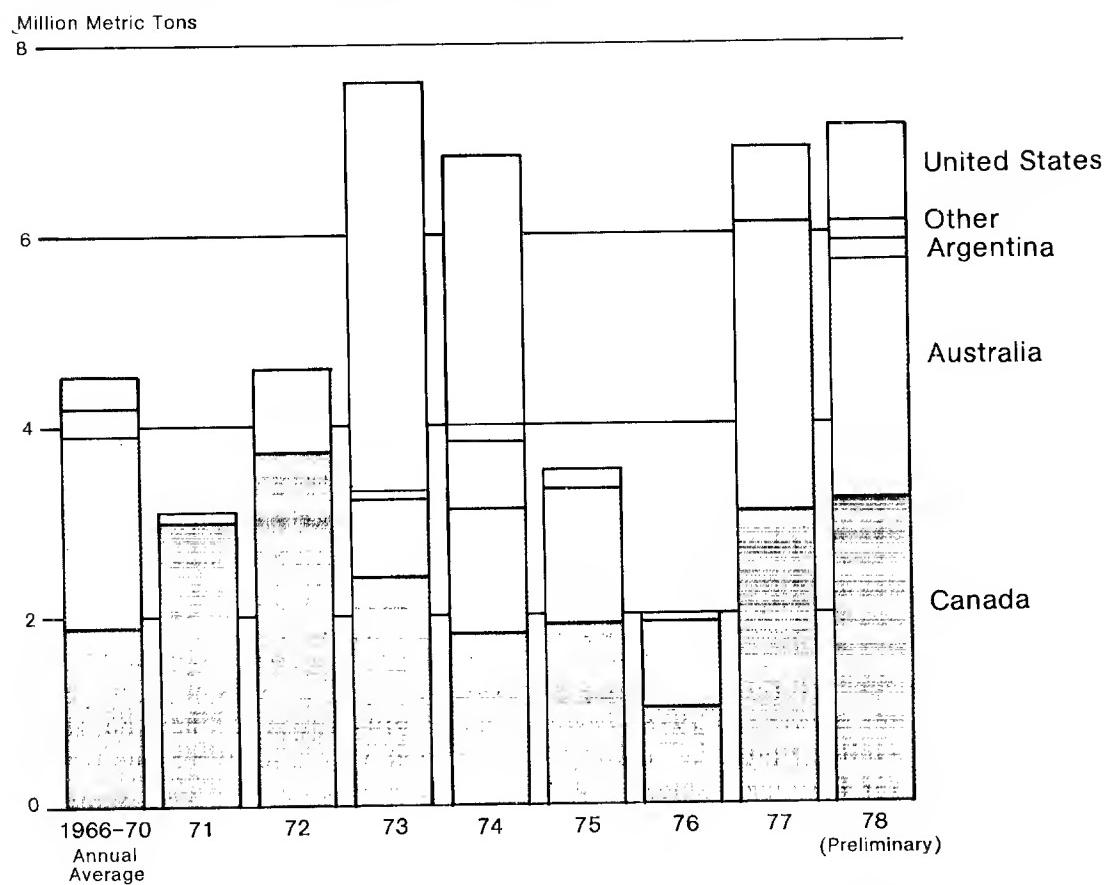
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China imported 6.9 million tons of grain (all wheat) in 1977—about 3½ times as much as in the previous year. A poor winter wheat harvest in 1977 was the primary cause of record imports of wheat. The improved foreign exchange situation, low world market prices, and the need to rebuild domestic wheat stocks also contributed to determining the size of the purchase.

China continued to purchase wheat from its traditional sources—Canada, Argentina, and Australia—during 1977 (see figure 2). Canada, normally China's major source of grain, supplied 3.1 million tons of wheat. Australia supplied 3 million tons, and Argentina supplied 850,000 tons.

Sugar imports increased in 1977 more than 2½ times over the 1976 level. Sugar imports were spurred more by the favorable conditions in the international market and low sugar stocks than by any shortfall in the results of the domestic sugar harvest. Soybean imports also increased sharply. The soybean import rise reflected the poor soybean crops, especially in north-eastern China, of the last two years. Cotton imports also recovered slightly from the low level of 1976.

China: Imports of Grain, by Source



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Exports

Declining exports of rice and soybeans indicate that production of these commodities has been unable to keep pace with increasing domestic demand. The domestic oilseed shortfall was so serious in 1977 that the Chinese became net importers of soybeans for only the second time in history; 1974 was the first. The large imports of soybeans, and soybean oil as well, during a period of high world prices underscores the gravity of the soybean situation.

As shown in table 3, until recently the Chinese sold over 200,000 tons annually to Japan alone. The Japanese buy Chinese soybeans because they prefer the taste of yellow hilum soybeans grown in northeastern China to the taste of Western Hemisphere soybeans. However, in recent years the Chinese have been unable to supply the Japanese with sufficient quantities.

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The poor rice harvest of recent years probably has been partly responsible for falling rice exports. On the other hand, market factors have also contributed; the period of declining exports was also a period of declining prices and increased competition among rice exporting nations. Moreover, rice exports were unusually high in the mid-1970s, and they reached a record level in 1973. The 700,000 tons of rice exported in 1977 were only slightly less than 1970-72 exports of 800,000 to 900,000 tons annually.

While exports of rice and soybeans have declined, exports of other agricultural products have risen. The effect of price changes on the composition of agricultural exports has been minimal; most prices peaked in 1974 and declined in 1975 and 1976. Since 1973, exports of grain (mostly rice) and oilseeds have contributed declining shares of total export earnings. It appears that this trend continued into 1977. Exports of other agricultural products have, however, more than made up for the decline. Exports of live animals, animal products, fruits, and vegetables have all shown increases in terms of both value and share. The products increasing their shares occupy little or no cultivated land, while crops that earned a shrinking share of export earnings require large amounts of cultivated land. The changing composition of exports reflects the leveling off of grain production during the last three years.

Prospects

Agricultural imports in 1978 will be above the large imports of agricultural products in 1977. At least 7.1 million tons of grain are contracted for delivery in 1978. This includes 1 million tons of wheat bought from the United States for delivery in the period May to October, the first contracts for US wheat since 1974. The purchase was made to ensure grain supplies until the fall harvest. Because of the poor wheat harvest in Australia and Argentina, as well as Canadian transportation problems, the United States—which China views as a residual supplier—was the only source with wheat

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Table 3

China: Soybean Exports

Thousand Metric Tons

	Total	Japan
1973.....	310	226
1974.....	340	232
1975.....	333	240
1976.....	200	133
1977.....	125 ¹	98

¹ Estimated.

Table 4

China: Scheduled Monthly Grain Imports
1978

Thousand Metric Tons

	Total	United States	Canada
September	450-500	200	250-300
October	350-400	100	250-300
November	250-300	...	250-300
December	250-300	...	250-300

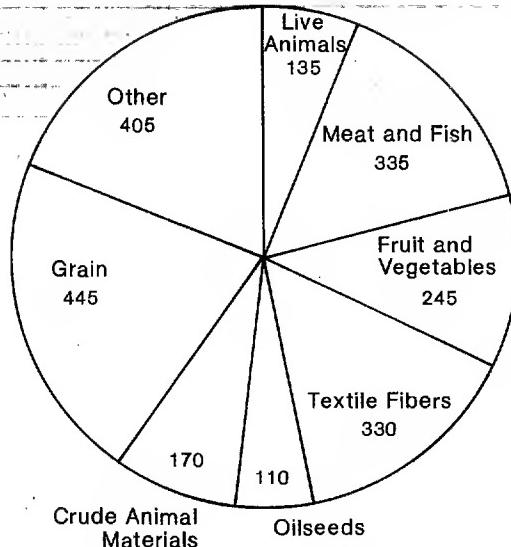
China: Commodity Composition
of Agricultural Exports

Figure 3

Million US\$

1973

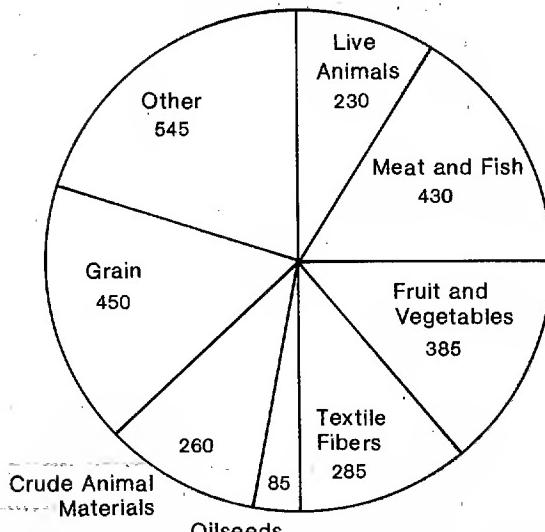
Total Exports=\$2,175



1976

Total Exports=\$2,670

Animals



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available during the midyear months. The recent purchase of 3 million tons of wheat from Canada for September 1978 through August 1979 delivery does not exclude the possibility of further grain purchases by China for 1978 delivery. Grain imports during the last four months of 1978 are well below the September to December 1977 average monthly imports of 833,000 tons. A purchase of 500,000 tons would not be surprising.

Sugar imports will be more than a million tons—a reflection of the drought-affected cane crop of 1977 and expanding sugar consumption. Soybean imports are again likely to be large, and cotton imports will be more than double the 1977 level. The United States has already sold 100,000 tons of cotton to China for 1978 delivery, compared with the 12,000 tons shipped in 1977.

The value of agricultural exports will probably increase enough to maintain the 1977 agricultural trade surplus. Although the acreage planted to oilseeds is to be expanded this year, soybean exports are not likely to recover. The international rice market has rebounded from the depressed level of 1977 and can probably absorb more than a million tons of Chinese rice in 1978, if the Chinese have a surplus to sell and consider market prices acceptable. The value of other agricultural exports will probably continue to rise.

Future developments in Chinese agricultural trade will depend, to a large degree, on the ability of China to meet its production goals—400 million tons of grain in 1985 and a 4- to 5-percent annual increase in agricultural production through 1985—set forth at the Fifth National People's Congress. If the goals could be achieved, by 1985 China would be able to reduce grain imports, increase per capita grain consumption, improve diets, and supply more grain to livestock, and it might be able to shift some sown acreage to crops in short supply. Even successful achievement of the goals would be unlikely to allow a significant increase in agricultural exports, however. Present consumption levels are so low that the increase in production probably will be absorbed domestically. On the other hand, if the Chinese fall far short of these goals, imports are likely to continue to rise, while exports remain constant.

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